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2011 DEC 15 A 11:53

AZ CORP COMMISSION  
DOCKET CONTROL

Attorneys for EPCOR Water (USA) Inc.

**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF ARIZONA-AMERICAN WATER  
COMPANY, AN ARIZONA  
CORPORATION, FOR A  
DETERMINATION OF THE CURRENT  
FAIR VALUE OF ITS UTILITY PLANT  
AND PROPERTY AND FOR INCREASES  
IN ITS RATES AND CHARGES BASED  
THEREON FOR UTILITY SERVICE BY  
ITS AGUA FRIA WATER DISTRICT,  
HAVASU WATER DISTRICT AND  
MOHAVE WATER DISTRICT

DOCKET NO: W-01303A-10-0448

**NOTICE OF FILING TESTIMONY**

EPCOR Water (USA), Inc., through undersigned counsel, hereby provides notice  
of filing the Testimony of James W. McKee in support of the Settlement Agreement,  
which is also being filed in the above-captioned docket.

RESPECTFULLY SUBMITTED this 15th day of December, 2011.

Arizona Corporation Commission

**DOCKETED**

DEC 15 2011

DOCKETED BY

FENNEMORE CRAIG, P.C.

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Attorneys for EPCOR Water (USA) Inc.

1 **ORIGINAL** and 13 copies filed  
2 This 15th day of December, 2011, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 **COPY** hand-delivered  
8 this 15th day of December, 2011 to:

9 Dwight D. Nodes  
10 Asst. Chief Administrative Law Judge  
11 Hearing Division  
12 Arizona Corporation Commission  
13 1200 W. Washington  
14 Phoenix, Arizona 85007-2927

15 Janice Alward, Chief Counsel  
16 Charles Hains, Esq.  
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18 Arizona Corporation Commission  
19 1200 West Washington Street  
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25 Phoenix, AZ 85007

26 **COPY** mailed  
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By: *Maria Sanje*

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10 IN THE MATTER OF THE APPLICATION  
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19 ITS AGUA FRIA WATER DISTRICT,  
20 HAVASU WATER DISTRICT AND  
21 MOHAVE WATER DISTRICT

DOCKET NO: W-01303A-10-0448

22 TESTIMONY OF

23 JAMES W. MCKEE

24 ON BEHALF OF EPCOR WATER (USA), INC.

25 December 15, 2011

1 **I. INTRODUCTION, BACKGROUND AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TELEPHONE**  
3 **NUMBER.**

4 A. My name is James W. McKee. My business address is 9469 Rossdale Road,  
5 Edmonton, Alberta, Canada T5K 0A5, and my telephone number is (780) 412-  
6 3741.

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am employed by EPCOR Water Services Inc. in the capacity of Director,  
9 Business Process Management.

10 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

11 A. On behalf of the Intervenor, EPCOR Water (USA), Inc. ("EPCOR Water").  
12 EPCOR Water is an affiliate of EPCOR Water Services Inc.

13 **Q. HAVE YOU PREVIOUSLY FILED DIRECT TESTIMONY IN THIS CASE?**

14 A. No.

15 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

16 A. Yes, I testified in the proceeding to approve the reorganization of American States  
17 Water Company, the parent of Chaparral City Water Company located in Fountain  
18 Hills, Arizona. I also testified in the proceeding to approve the reorganization of  
19 American Water, Arizona American Water Company's ("AAWC") parent  
20 company. In both proceedings, the Commission granted approval for the  
21 reorganizations. In Commission Decision No. 72688 (November 17, 2011), the  
22 Commission granted approval for EPCOR Water to buy all of the outstanding stock  
23 of AAWC from American Water.

24 **Q. HAS EPCOR WATER ACQUIRED THE STOCK YET?**

25 A. No, we have not closed the transaction. We are waiting for approval from the New  
26 Mexico PRC as EPCOR Water is also intending to acquire the stock of New

1 Mexico American Water Company. If the New Mexico PRC approves the  
2 transaction by the end of the year and all appeal periods expire with no objections  
3 filed, we expect the close to occur at the end of January 2012.

4 **Q. WHAT HAS BEEN YOUR INVOLVEMENT IN THE ACQUISITION OF**  
5 **AAWC'S STOCK?**

6 A. After the parties reached an agreement, I provided assistance to EPCOR Water and  
7 American Water in preparing the application for approval of the reorganization. I  
8 also provided answers to Data Requests about EPCOR Water.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?**

10 A. To testify in support of the Settlement Agreement reached between all of the  
11 parties to this rate case.<sup>1</sup>

12 **II. EPCOR WATER'S PARTICIPATION IN RATE CASE AND**  
13 **SETTLEMENT AGREEMENT**

14 **Q. WHEN DID EPCOR WATER INTERVENE IN THIS RATE CASE?**

15 A. EPCOR Water was granted intervention on September 23, 2011. The request was  
16 made before that on August 24, 2011.

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20 <sup>1</sup> Settling Parties include EPCOR Water; AAWC; Arizona Corporation Commission Utilities Division ("Staff"); the  
21 Residential Utility Consumer Office ("RUCO"); Verrado Community Association, Inc. ("Verrado"); DMB White  
22 Tank, LLC ("DMB"); Water Utility Association of Arizona ("WUAA"); Mashie, LLC dba Corte Bella Golf Club  
23 ("Corte Bella"); Cross River Homeowners Association ("CRHA"); and Sun City Grand Community Association (for  
24 itself and as class representative for Arizona Traditions Homeowners Association, Inc., The Happy Trails  
25 Community Association, The Surprise Farms III Community Association, Greer Ranch South Homeowners  
26 Association, Northwest Ranch Homeowners Association, Russell Ranch Homeowners Association, Clearwater  
Farms Unit II Property Owners Association, Surprise Farms Unit II Community Association, Clearwater Farms  
Three Homeowners Association, Legacy Park South Homeowners Association, Sun Village Community Association,  
Sycamore Estates Parcel 13 Community Association, Surprise Farms Community Association, Phase 1A, Cortessa  
Community Association, Kingswood Parke Community Association, Inc., Sierra Montana Homeowners Association,  
and Summerfield at Litchfield Subdivision Homeowners Association) ("SCGCA").

1 **Q. WHY DID EPCOR WATER MOVE TO INTERVENE IN THE RATE**  
2 **CASE?**

3 A. When the rate case was delayed, it became more likely that EPCOR Water would  
4 be the owner of AAWC when new rates went into effect. That also made it  
5 possible that parties would have questions about EPCOR Water. Given this, we  
6 felt it prudent to intervene.

7 **Q. DID EPCOR WATER PREFILE TESTIMONY IN THE RATE CASE?**

8 A. No we did not. Although we moved for and were granted intervention, we thought  
9 it best to stay on the sidelines if we could. This was then and still is AAWC's rate  
10 case and AAWC is still owned by American Water.

11 **Q. DID YOU PARTICIPATE IN THE SETTLEMENT NEGOTIATIONS?**

12 A. Yes, I personally participated, along with others from EPCOR Water.

13 **Q. AND EPCOR WATER IS A SIGNATORY TO THE SETTLEMENT**  
14 **AGREEMENT?**

15 A. Yes.

16 **Q. DOES EPCOR WATER BELIEVE THAT THE COMMISSION SHOULD**  
17 **APPROVE THE SETTLEMENT AGREEMENT?**

18 A. Yes.

19 **Q. WHY DOES EPCOR WATER BELIEVE APPROVAL OF THE TERMS OF**  
20 **THE SETTLEMENT ARE IN THE PUBLIC INTEREST?**

21 A. Because it represents a balance of benefits to all parties. First, and foremost, all  
22 parties benefit from the elimination of time and resources that would be needed to  
23 continue with a lengthy and highly contentious rate proceeding. The parties also  
24 benefit from greater certainty sooner. Second, customers in Agua Fria will see rate  
25 increases that are smaller than what AAWC requested and phased in over three  
26 years to reduce the impact of the inclusion of the White Tanks Water Campus on



1 rates, which facility provides long-term water supply security. These ratepayers  
2 will also have the possibility for further rate reductions in the future if growth does  
3 take place in the Agua Fria District through the direct application of collected  
4 hook-up fees. On the other hand, AAWC benefits by being able to include the  
5 reasonable and prudent operating and capital costs of building the White Tanks  
6 Water Campus into rates. Third, ratepayers in Mohave and Havasu benefit because  
7 AAWC has reaffirmed its commitment to combat non-revenue water in those  
8 systems, and Corte Bella benefits by having its rate for irrigation water fixed at a  
9 fair, market based level. Fourth, every party gave up at least as much as they  
10 gained in order to make this settlement come together.

11 **Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADD MR. MCKEE?**

12 A. On behalf of EPCOR Water, I would like to thank all of the parties for participating  
13 in good faith and working tirelessly to reach agreement. The settlement isn't  
14 perfect and no one is really celebrating. But it most certainly represents the best  
15 possible result under very difficult circumstances. For that reason, EPCOR Water  
16 urges the Commission to approve the necessary terms of the Settlement Agreement  
17 between all parties to this rate case.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE**  
19 **SETTLEMENT AGREEMENT?**

20 A. Yes.

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